

## Message Text

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PAGE 01 STATE 015150  
ORIGIN ARA-10

INFO OCT-01 ISO-00 PM-04 ARAE-00 OES-06 EB-08 MC-02 L-03  
INR-07 SIL-01 DHA-02 SS-15 SP-02 H-01 /062 R

DRAFTED BY ARA/ECA:RCGRAHAM /RWZIMMERMANN:RC  
APPROVED BY ARA/ECA:RWZIMMERMANN  
PM/SAS:RTITUS(IN SUBSTANCE)  
ARA/RPP:LT. COL. QUIGG(IN DRAFT)

-----241733Z 024675 /41

P 241656Z JAN 77  
FM SECSTATE WASHDC  
TO AMEMBASSY MONTEVIDEO PRIORITY

C O N F I D E N T I A L STATE 015150

STADIS////////////////////////////////////

E.O. 11652: GDS

TAGS: PFOR, ETRD, UY

SUBJECT: AMBASSADOR PEREZ CALDAS CALLED BACK FOR CONSULTA-  
TIONS.

REF: A) MONTEVIDEO 0127; B) MONTEVIDEO 0089; C) 76 STATE  
257643

1. AMBASSADOR PEREZ CALDAS PRESENTED A NOTE TO ARA/ECA  
DIRECTOR ZIMMERMANN, JANUARY 12, EXPRESSING CONCERN OVER  
"EVENTUAL APPLICATION OF RESTRICTIVE MEASURES TO FOOTWEAR  
IMPORTS." SUMMARY OF THIS NOTE AND SUBSEQUENT NOTE ON  
SAME SUBJECT REPORTED SEPTEL.

2. FOLLOWING NOTE PRESENTATION, THE AMBASSADOR SAID THAT  
HE HAD BEEN ASKED TO RETURN TO MONTEVIDEO FOR CONSULTATIONS  
THAT SHOULD LAST FROM ONE TO TWO WEEKS. HE WILL LEAVE  
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JANUARY 22. HE STATED THAT THE CONSULTATIONS WILL FOCUS  
ON SEVERAL ACTIONS AFFECTING OUR BILATERAL RELATIONS WHICH  
HE WILL BE EXPECTED TO CLARIFY. SPECIFICALLY, HE BEGAN  
BY MENTIONING THE SMITH & WESSON APPLICATION FOR AN  
EXPORT LICENSE FOR GOU REVOLVER ORDER. WE ACKNOWLEDGED  
RECEIVING HIS NOTE ON THIS MATTER, AND STATED THAT

A FINAL DECISION ON GRANTING THE EXPORT LICENSE HAD NOT BEEN TAKEN. IN REPLY TO THE AMBASSADOR'S OBSERVATION THAT

THIS INVOLVED A CASH PURCHASE AND NOT A CREDIT TRANSACTION, HE WAS ADVISED THAT ALL EXPORT LICENSE APPLICATIONS FOR ARMS ARE SUBJECT TO HUMAN RIGHTS REVIEW UNDER SECTION 502B OF THE SECURITY ASSISTANCE AND ARMS EXPORT CONTROL ACT OF 1976. THE AMBASSADOR WAS TOLD THAT WE WILL ATTEMPT TO OBTAIN A FINAL DECISION ON THE LICENSE BEFORE HIS DEPARTURE BUT THAT WE COULD MAKE NO PROMISES.

3. SAYING THAT HE WISHED TO REVIEW CERTAIN ITEMS THAT SURELY WOULD ARISE DURING THE CONSULTATION, ZIMMERMANN THEN RAISED THE SUBJECT OF THE WITHDRAWN GOU LOAN APPLICATION TO THE IDB FOR FISHERIES DEVELOPMENT. HE REFERRED TO THE AMBASSADOR'S EARLIER CONCERN THAT THE USG WOULD VETO THE LOAN FOR POLITICAL REASONS. AGAIN DENYING THAT THERE HAD BEEN ANY INTENTION OF APPLYING THE HARKIN AMENDMENT TO THIS LOAN, PORTIONS OF 76 STATE 289636 WERE REVIEWED FOR HIM. IT WAS UNDERLINED ONCE MORE THAT OUR OBJECTION WAS TO USE OF FSO FUNDS FOR A PROJECT GENERALLY AGREED TO BE COMMERCIAL LY VIABLE. REFERRING TO COSTA RICAN PROJECT, WHICH AMBASSADOR PREVIOUSLY CITED AS SIMILAR TO URUGUAYAN PROJECT AND WHICH RECEIVED FSO FINANCING, IT WAS POINTED OUT THAT FSO FUNDS IN COSTA RICAN LOAN FINANCED PURCHASE OF BOATS FOR FISHERIES COOPERATIVE WHOSE MEMBERS EARNED APPROXIMATELY 500 DOLLARS PER CAPITA PER YEAR.

4. PEREZ CALDAS REPLIED THAT HE WAS OBLIGED TO QUESTION IF  
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THERE HAD BEEN POLITICAL MOTIVATION FOR THE U.S. POSITION SINCE IDB ALTERNATE DIRECTOR FOR URUGUAY, PARAGUAY AND BOLIVIA WAS "SENT" TO MONTEVIDEO BY THE IDB PRESIDENT TO INFORM GOU THAT SUCH WAS THE CASE. ZIMMERMANN REPEATED THAT PROBLEM CONCERNED USE OF FSO FUNDING ONLY, AND OBSERVED THAT IDB HAD RECENTLY APPROVED THREE LOANS FOR URUGUAY IN WHICH USG CONCURRED. TWO OF THESE, FOR ORGANIZATION OF ANIMAL HEALTH UNIT AND FOR TECHNICAL COOPERATION IN HANDICRAFT PROJECT, INVOLVED FSO FUNDING. OBVIOUSLY, WE WOULD HAVE HAD TO BE CONSISTENT AND VETO THESE LOANS IF POLITICAL MOTIVATION HAD BEEN GROUNDS FOR OUR EARLIER OBJECTION TO FISHERIES FINANCING. PEREZ CALDAS APPEARED TO ACCEPT THIS "PROOF".

5. THE CONVERSATION THEN TURNED TO THE MATTER OF UTILIZATION OF \$400,000 FROM FY 76 CREDITS FOR MAINTENANCE AND

OVERHAUL OF NAVAL VESSELS, A MATTER THAT HAD EARLIER BEEN RAISED BY MINISTER TALAMAS. DRAWING ON POLICY GUIDANCE

CONTAINED IN REFTEL C, THE AMBASSADOR WAS TOLD THAT FMS FINANCING IS NOT NORMALLY APPROVED FOR SUCH USES, THAT NEW STIFF DIRECTIVES HAD BEEN ISSUED ON THIS QUESTION,

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THAT ANY EXCEPTIONS TO THIS POLICY WOULD BE VERY DIFFICULT, AND THAT THE POLICY APPLIED TO ALL RECIPIENTS OF FMS CREDITS. THE AMBASSADOR, IN REPLY, SAID THAT THE INTENTION WAS TO OVERHAUL SHIPS TO STEP UP COASTAL PATROLS TO THWART WIDESPREAD COMMERCIAL FISHING IN URUGUAYAN TERRITORIAL WATERS. THE AMBASSADOR WAS ADVISED THAT IF HE DECIDED TO PRESENT AN OFFICIAL REQUEST FOR UTILIZATION OF FMS CREDITS FOR THIS PURPOSE, IT SHOULD BE ACCOMPANIED BY WELL DOCUMENTED JUSTIFICATIONS, BUT EVEN SO WE COULD NOT BE OPTIMISTIC.

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6. ON THE GENERAL SUBJECT OF HUMAN RIGHTS, ZIMMERMANN COMMENTED THAT IN CERTAIN DIPLOMATIC QUARTERS THERE WAS A TENDENCY TO ATTRIBUTE RISING CONCERN FOR HUMAN RIGHTS TO PRE-ELECTION RHETORIC. IT SHOULD BE CLEAR TO ALL BY NOW THAT THIS WAS SIMPLY NOT TRUE. FOR EXAMPLE, HUMAN RIGHTS HEARINGS WILL PROBABLY BE CONDUCTED BY CONGRESSMAN FRASER ON ARGENTINA EARLY THIS YEAR. THE PERCEPTION OF HUMAN RIGHTS VIOLATIONS BY THE U.S. PUBLIC IS A FACT OF LIFE IN OUR RELATIONS, REGARDLESS OF WHETHER IT IS CONSIDERED JUST BY THE FOREIGN GOVERNMENT CONCERNED.

7. RESPONDING TO THIS REMARK, THE AMBASSADOR COMMENTED THAT THE VISIT OF U.S. CONGRESSMAN MCDONALD TO MONTEVIDEO IN DECEMBER WAS NOT HELPFUL, IN HIS OPINION, SINCE THE CONGRESSMAN DOES NOT REPRESENT MAJORITY SENTIMENT IN THE CONGRESS AND IS NOT A MEMBER OF THE COMMITTEES WHICH DEAL WITH URUGUAYAN RELATIONS, OR HUMAN RIGHTS. HE CONSEQUENTLY FEARED THAT MCDONALD'S REMARKS WOULD BE MISINTERPRETED AND MISUSED.

8. THE AMBASSADOR EXPRESSED HIS APPRECIATION FOR THE INFORMATION WHICH HE FELT WOULD BE USEFUL IN HIS CONSULTATIONS. HE OBSERVED THAT HIS RECALL FOR CONSULTATIONS PROBABLY REFLECTS ONE OF TWO THINGS - EITHER A FEELING THAT HE HAS BEEN INEFFECTIVE IN PRESENTING THE GOU VIEW-POINT, AND/OR A DESIRE TO REVIEW A SERIES OF RECENT BILATERAL DIFFICULTIES WITH A VIEW TO DETERMINING WHETHER THEY CONSTITUTE A CONSCIOUS HARRASSMENT OF URUGUAY. THE CONVERSATION ENDED WITH HIS STATEMENT THAT HE WOULD CALL TO ARRANGE ANOTHER CONVERSATION PRIOR TO HIS DEPARTURE.

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
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